

Monthly Operating Report
ACCRUAL BASIS

CASE NAME:	Texas Pellets, Inc.
CASE NUMBER:	16-90126
JUDGE:	Bill Parker


UNITED STATES BANKRUPTCY COURT
NORTHERN & EASTERN DISTRICTS OF TEXAS
REGION 6

MONTHLY OPERATING REPORT


MONTH ENDING: May 2016
MONTH YEAR

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT, AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY) IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY:

 Chief Restructuring Officer
ORIGINAL SIGNATURE OF RESPONSIBLE PARTY TITLE
Bryan M. Gaston July 2, 2016
PRINTED NAME OF RESPONSIBLE PARTY DATE

PREPARER:

 Chief Restructuring Officer
ORIGINAL SIGNATURE OF PREPARER TITLE
Bryan M. Gaston July 2, 2016
PRINTED NAME OF PREPARER DATE

Monthly Operating Report
ACCRUAL BASIS-1

CASE NAME:	Texas Pellets, Inc.
CASE NUMBER:	16-90126

COMPARATIVE BALANCE SHEET				
	SCHEDULE AMOUNT	May	MONTH	MONTH
ASSETS				
1. UNRESTRICTED CASH	\$172	\$172		
2. RESTRICTED CASH ⁽¹⁾	\$13,658,141	\$10,194,918		
3. TOTAL CASH	\$13,658,313	\$10,195,090	\$0	\$0
4. ACCOUNTS RECEIVABLE (NET) ^(1a)	\$7,026,280	\$1,422,201		
5. INVENTORY	\$0	\$0		
6. NOTES RECEIVABLE	\$0	\$0		
7. PREPAID EXPENSES	\$17,300,754	\$0		
8. OTHER (ATTACH LIST)	\$0	\$0		
9. TOTAL CURRENT ASSETS	\$37,985,347	\$11,617,291	\$0	\$0
10. PROPERTY, PLANT & EQUIPMENT	\$209,259,127	\$176,733,254		
11. LESS: ACCUMULATED DEPRECIATION/DEPLETION	\$0	\$0		
12. NET PROPERTY, PLANT & EQUIPMENT	\$209,259,127	\$176,733,254	\$0	\$0
13. DUE FROM INSIDERS	\$0	\$0		
14. OTHER ASSETS - NET OF AMORTIZATION (ATTACH LIST)	\$0	\$17,304,841		
15. OTHER (ATTACH LIST) ^(1b)	\$0	\$24,437,932		
16. TOTAL ASSETS	\$247,244,474	\$230,093,318	\$0	\$0
POSTPETITION LIABILITIES				
17. ACCOUNTS PAYABLE		\$0		
18. TAXES PAYABLE		\$0		
19. NOTES PAYABLE		\$0		
20. PROFESSIONAL FEES ^(1c)		\$0		
21. SECURED DEBT		\$0		
22. OTHER		\$0		
23. TOTAL POSTPETITION LIABILITIES		\$0	\$0	\$0
PREPETITION LIABILITIES				
24. SECURED DEBT ^(1d)	\$189,510,697	\$184,675,000		
25. PRIORITY DEBT	\$0	\$0		
26. UNSECURED DEBT ⁽²⁾	\$10,765,685	\$1,974,293	\$0	
27. OTHER ⁽³⁾	\$0	\$24,530,638		
28. TOTAL PREPETITION LIABILITIES	\$200,276,383	\$211,179,931	\$0	\$0
29. TOTAL LIABILITIES	\$200,276,383	\$211,179,931	\$0	\$0
EQUITY				
30. PREPETITION OWNERS' EQUITY		\$17,803,668.52		
31. POSTPETITION CUMULATIVE PROFIT OR (LOSS)		\$1,109,718		
32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION)		\$0		
33. TOTAL EQUITY		\$18,913,387	\$0	\$0
34. TOTAL LIABILITIES & OWNERS' EQUITY		\$230,093,318	\$0	\$0

⁽¹⁾ \$13.7 mil of restricted cash swept pre-petition on approx Mar 31 by bondholders who assert this is not an asset of the estate. The schedules presented this as property of the estate and will be amended.

^(1a) Reduction resulting from collection of customer payment

^(1b) Accounts receivable owed by GPTX, LLC (affiliate debtor case 16-90127)

^(1c) Approximately \$336,000 in debtor's professional fees incurred in May across both TPI and GPTX. These have not yet been posted to books and records nor allocated between debtors.

^(1d) The Debtors did not historically accrue interest monthly. A manual adjustment for 3 months of interest was made to the company's books and records for schedule purposes. No similar adjustment was made for MOR purposes. An adjustment for accrued interest is expected to be made and accrued on a monthly basis going forward.

⁽²⁾ \$8.8 million reduction primarily due to a \$7.3 million disputed claim by MFC that was not recorded on the Debtor's books and records but was included on the schedules. In addition, a payment of \$1.2 million in pre-petition insurance liabilities was made pursuant to court order.

⁽³⁾ Represents intercompany payables to GPTX and GmbH for \$13.8 mil, a promissory note to GPTX for \$6.8 mil, and other third party payables of \$3.9 million.

Monthly Operating Report
ACCRUAL BASIS-2

CASE NAME:	Texas Pellets, Inc.
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INCOME STATEMENT	May	MONTH	MONTH	MONTH
REVENUES				
1. GROSS REVENUES	\$3,519,822			
2. LESS: RETURNS & DISCOUNTS	\$0			
3. NET REVENUE	\$3,519,822	\$0	\$0	\$0
COST OF GOODS SOLD				
4. MATERIAL	\$1,819,822			
5. DIRECT LABOR	\$44,081			
6. DIRECT OVERHEAD	0			
7. TOTAL COST OF GOODS SOLD	\$1,863,903	\$0	\$0	\$0
8. GROSS PROFIT	\$1,655,919	\$0	\$0	\$0
OPERATING EXPENSES				
9. OFFICER / INSIDER COMPENSATION	\$0			
10. SELLING & MARKETING	\$0			
11. GENERAL & ADMINISTRATIVE	\$21,687			
12. RENT & LEASE	\$0			
13. OTHER (ATTACH LIST)	\$0			
14. TOTAL OPERATING EXPENSES	\$21,687	\$0	\$0	\$0
15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$1,634,232	\$0	\$0	\$0
OTHER INCOME & EXPENSES				
16. NON-OPERATING INCOME (ATTACH LIST)	(\$1)			
17. NON-OPERATING EXPENSE (ATTACH LIST)	\$0			
18. INTEREST EXPENSE ⁽¹⁾	\$0			
19. DEPRECIATION / DEPLETION ⁽²⁾	\$524,458			
20. AMORTIZATION	\$0			
21. OTHER (ATTACH LIST)	\$57			
22. NET OTHER INCOME & EXPENSES	\$524,514	\$0	\$0	\$0
REORGANIZATION EXPENSES				
23. PROFESSIONAL FEES	\$0			
24. U.S. TRUSTEE FEES	\$0			
25. OTHER (ATTACH LIST)	\$0			
26. TOTAL REORGANIZATION EXPENSES	\$0	\$0	\$0	\$0
27. INCOME TAX	\$0			
28. NET PROFIT (LOSS)	\$1,109,718	\$0	\$0	\$0

⁽¹⁾ See FN 1(d) page 1 Balance Sheet

⁽²⁾ Non-cash depreciation and amortization

Monthly Operating Report
ACCRUAL BASIS-3

CASE NAME:	Texas Pellets, Inc.
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CASH RECEIPTS AND DISBURSEMENTS	May	MONTH	MONTH	QUARTER
1. CASH - BEGINNING OF MONTH	\$12,187,614			
RECEIPTS FROM OPERATIONS				
2. CASH SALES	\$0			\$0
COLLECTION OF ACCOUNTS RECEIVABLE				
3. PREPETITION	\$5,851,000			\$5,851,000
4. POSTPETITION	\$0			\$0
5. TOTAL OPERATING RECEIPTS	\$5,851,000	\$0	\$0	\$5,851,000
NON-OPERATING RECEIPTS				
6. LOANS & ADVANCES (ATTACH LIST)	\$0			\$0
7. SALE OF ASSETS	\$0			\$0
8. OTHER (ATTACH LIST)	\$1			\$1
9. TOTAL NON-OPERATING RECEIPTS	\$1	\$0	\$0	\$1
10. TOTAL RECEIPTS	\$5,851,001	\$0	\$0	\$5,851,001
11. TOTAL CASH AVAILABLE	\$18,038,615	\$0	\$0	
OPERATING DISBURSEMENTS				
12. NET PAYROLL	\$0			\$0
13. PAYROLL TAXES PAID	\$0			\$0
14. SALES, USE & OTHER TAXES PAID	\$0			\$0
15. SECURED / RENTAL / LEASES	\$0			\$0
16. UTILITIES	\$0			\$0
17. INSURANCE	1,245,436			\$1,245,436
18. INVENTORY PURCHASES	\$0			\$0
19. VEHICLE EXPENSES	\$0			\$0
20. TRAVEL	\$0			\$0
21. ENTERTAINMENT	\$0			\$0
22. REPAIRS & MAINTENANCE	\$0			\$0
23. SUPPLIES	\$0			\$0
24. ADVERTISING	\$0			\$0
25. OTHER ⁽²⁾	6,522,062.1			\$6,522,062
26. TOTAL OPERATING DISBURSEMENTS	\$7,767,498	\$0	\$0	\$7,767,498
REORGANIZATION EXPENSES				
27. PROFESSIONAL FEES				\$0
28. U.S. TRUSTEE FEES	\$0			\$0
29. OTHER ⁽³⁾	\$76,027			\$76,027
30. TOTAL REORGANIZATION EXPENSES	\$76,027	\$0	\$0	\$76,027
31. TOTAL DISBURSEMENTS	\$7,843,525	\$0	\$0	\$7,843,525
32. NET CASH FLOW	(\$1,992,524)	\$0	\$0	(\$1,992,524)
33. CASH - END OF MONTH	\$10,195,090	\$0	\$0	

⁽¹⁾ Cash balances adjusted for transactions in UMB accounts that were unknown to the Debtor at time of filing and occurred prior to the filing date.

⁽²⁾ Represents: \$5.8 mil to GPTX LLC Debtor in Case 16-90127, \$625,000.00 to NAPCO, \$98,026 to Mid South, Noerr LLP for \$21,842 and \$90,000 to GmbH for Mgmt Fee

⁽³⁾ Represents payments to E3 Consulting for \$76,026

Monthly Operating Report
ACCRUAL BASIS-4

CASE NAME:	Texas Pellets, Inc.
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ACCOUNTS RECEIVABLE AGING	SCHEDULE AMOUNT	May	MONTH	MONTH
1. 0-30	\$0	\$0		
2. 31-60	\$7,026,280	\$6,824,955		
3. 61-90	\$22,066,634	\$3,088,742		
4. 91+	\$0	\$2,453,556		
5. TOTAL ACCOUNTS RECEIVABLE	\$29,092,915	\$12,367,254	\$0	\$0
6. AMOUNT CONSIDERED UNCOLLECTIBLE ⁽¹⁾	\$22,066,634	\$10,945,052		
7. ACCOUNTS RECEIVABLE (NET)	\$7,026,280	\$1,422,201	\$0	\$0

AGING OF POSTPETITION TAXES AND PAYABLES			MONTH: May 2016		
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL					\$0
2. STATE					\$0
3. LOCAL					\$0
4. OTHER (ATTACH LIST)					\$0
5. TOTAL TAXES PAYABLE	\$0	\$0	\$0	\$0	\$0
6. ACCOUNTS PAYABLE	\$0				\$0

STATUS OF POSTPETITION TAXES		MONTH: May 2016			
		BEGINNING TAX LIABILITY	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
FEDERAL ^(1b)					
1.	WITHHOLDING				\$0
2.	FICA-EMPLOYEE				\$0
3.	FICA-EMPLOYER				\$0
4.	UNEMPLOYMENT				\$0
5.	INCOME				\$0
6.	OTHER (ATTACH LIST)				\$0
7.	TOTAL FEDERAL TAXES	\$0	\$0	\$0	\$0
STATE AND LOCAL					
8.	WITHHOLDING				\$0
9.	SALES				\$0
10.	EXCISE				\$0
11.	UNEMPLOYMENT				\$0
12.	REAL PROPERTY ⁽²⁾				\$0
13.	PERSONAL PROPERTY				\$0
14.	OTHER (ATTACH LIST)				\$0
15.	TOTAL STATE & LOCAL	\$0	\$0	\$0	\$0
16.	TOTAL TAXES	\$0	\$0	\$0	\$0

⁽¹⁾ Amount represents balance of intercompany AR from affiliated debtor GPTX, LLC

^(1a) TPI has no employees. All personnel are employed through GPTX

⁽²⁾ Property taxes are due in full in lump sum each year on February 1st. The Debtor paid approximately \$1.6 mil in property taxes in early 2016 for calendar year 2015. Historically, the Debtor has not prepared monthly property tax accruals. Future MORs are expected to reflect property tax accruals.

Monthly Operating Report
 ACCRUAL BASIS-5

CASE NAME:	Texas Pellets, Inc.
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MONTH: May 2016

BANK RECONCILIATIONS		Account #1			Account #2			Account #3		TOTAL
A. BANK:		Citizens State Bank	UMB Bank	UMB Bank	UMB Bank	UMB Bank	UMB Bank	UMB Bank	UMB Bank	
B. ACCOUNT NUMBER:		4220	4391	203.1	203.3	203.4	203.5	203.7	203.8	
C. PURPOSE (TYPE):		checking account	restricted cash	restricted cash	restricted cash	restricted cash	restricted cash	restricted cash	restricted cash	
1. BALANCE PER BANK STATEMENT		\$172	\$8,523,331	\$1,507,000	\$0	\$3,134	\$61	\$37	\$161,354	\$10,195,090
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. SUBTRACT: OUTSTANDING CHECKS		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5. MONTH END BALANCE PER BOOKS		\$172	\$8,523,331	\$1,507,000	\$0	\$3,134	\$61	\$37	\$161,354	\$10,195,090
6. NUMBER OF LAST CHECK WRITTEN		0	0	0	0	0	0	0	0	

INVESTMENT ACCOUNTS		DATE OF PURCHASE						TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
BANK, ACCOUNT NAME & NUMBER										
7.										
8.										
9.										
10.										
11. TOTAL INVESTMENTS									\$0	\$0

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$10,195,090

Monthly Operating Report
ACCRUAL BASIS-6

CASE NAME:	Texas Pellets, Inc.
CASE NUMBER:	16-90126

MONTH: May 2016

PAYMENTS TO INSIDERS AND PROFESSIONALS

INSIDERS ⁽¹⁾			
NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
1.			
2.			
3.			
4.			
5.			
6.	TOTAL PAYMENTS TO INSIDERS		\$0

PROFESSIONALS ⁽²⁾					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID
1.					
2.					
3.					
4.					
5.					
6.	TOTAL PAYMENTS TO PROFESSIONALS		\$0	\$0	\$0

**POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE
PROTECTION PAYMENTS**

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1.			
2.			
3.			
4.			
5.			
6. TOTAL	\$0	\$0	\$0

⁽¹⁾ Not an insider but \$5.7 mil payment made to affiliated debtor GPTX, LLC Case No 16-90127

⁽²⁾ See FN 1c page 1 Balance Sheet

Monthly Operating Report
ACCRUAL BASIS-7

CASE NAME:	Texas Pellets, Inc.
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MONTH: May 2016

QUESTIONNAIRE

	YES	NO
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?		X
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?	X	
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?	X	
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	X	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?	X	
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?		X
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?		X
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?		X
12. ARE ANY WAGE PAYMENTS PAST DUE?		X

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

- (2) All disbursements made through either UMB controlled restricted accounts or Citizens Bank accounts. Neither are Debtor in Possession accounts. New Wells Fargo accounts established in early June 2016 to comply with UST requirements. All activity from July 2016 expected to be through Wells Fargo accounts.
- (3) There are various intercompany contracts between TPI and affiliated debtor GPTX, LLC Case No 16-90127. The contracts and the obligations under them have historically resulted in intercompany receivables and payables which are periodically adjusted for obligations owed between the parties.
- (4) Mid South was paid \$98,026.10 through a court-authorized critical vendor order, and Wells Fargo was paid \$1.2 mil per court order for insurance obligations arising pre-petition.
- (5) Interim DIP financing of approximately \$3 mil provided to the Debtor.

INSURANCE

	YES	NO
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	X	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?	X	
3. PLEASE ITEMIZE POLICIES BELOW.		

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW. ATTACH ADDITIONAL SHEETS IF NECESSARY.

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INSTALLMENT PAYMENTS				
TYPE OF POLICY	CARRIER	PERIOD COVERED	PAYMENT AMOUNT & FREQUENCY	
Inland Marine	Harford Fire Insurance Co.	3/25/2015 - 7/1/2016	\$ 24,610.00	annual
Property	Lloyd's, et al.	3/31/2016 - 3/31/2017	\$ 1,179,900.00	annual
Wind/Hail	Westchester Surplus Lines	7/1/2015 - 7/1/2016	\$ 179,396.00	annual
Wind/Hail	James River Insurance Co.	7/1/2015 - 7/1/2016	\$ 66,093.00	annual
Wind/Hail	Aspen Specialty Insurance Co.	7/1/2015 - 7/1/2016	\$ 65,569.00	annual
Auto Liability	Sentinel Insurance Co., Ltd.	7/1/2015 - 7/1/2016	\$ 135,593.00	annual
Employment Practices Liability	Federal Insurance Co.	12/16/2015 - 12/16/2016	\$ 5,961.00	annual
General Liability	Illinois National Insurance Co.	1/1/2016 - 1/1/2017	\$ 53,244.00	annual
Boiler and Machinery	Travelers Property Casualty Insurance Co.	1/1/2016 - 1/1/2017	\$ 81,742.00	annual